Wairarapa Building Society

Consolidated interim financial statements

For the six months ended 30 September 2022

Independent Review Report

To the Shareholders of Wairarapa Building Society

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 2 to 20 do not:

i. present fairly in all material respects the Group's financial position as at 30 September 2022 and its financial performance and cash flows for the 6 month period ended on that date; and

ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying interim consolidated financial statements which comprise:

the consolidated statement of financial position as at 30 September 2022;

the consolidated statements of profit or loss and OCI, changes in equity and cash flows for the 6 month period then ended; and

notes, including a summary of significant accounting policies and other explanatory information.

Basis for conclusion

A review of interim consolidated financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Wairarapa Building Society, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual consolidated financial statements.

Our firm has also provided other services to the Society in relation to the Building Society Annual Return and reporting on the register. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as reviewer of the Group. The firm has no other relationship with, or interest in, the Group.

Emphasis of matter – Estimation Uncertainty in the preparation of the interim consolidated financial statements

We draw attention to Note 10 Investment Property in the interim consolidated financial statements which describes further investigations and remediation design work to assess and better understand the extent of the nature and costs of the seismic strengthening of one property. As at reporting date this investigation is ongoing and there is insufficient information available to reliably estimate the impact on the fair value of the affected property as significant unobservable inputs to the fair value measurement remain uncertain.

In our view, this issue is fundamental to the users' understanding of the interim consolidated financial statements and the financial position and performance of the Group.

Our conclusion is not modified in respect of this matter.

Use of this Independent Review Report

This report is made solely to the Shareholders as a body. Our review work has been undertaken so that we might state to the Shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders as a body for our review work, this report, or any of the opinions we have formed.

Responsibilities of the Directors for the interim consolidated financial statements

The Directors, on behalf of the Group, are responsible for:

the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
implementing necessary internal control to enable the preparation of a interim consolidated financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the interim consolidated financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these interim financial statements.

This description forms part of our Independent Review Report.

KPMG

KPMG

Wellington

25 November 2022

Consolidated statement of financial position

In New Zealand dollar thousands

	Note	As at 30 Sept 2022 Unaudited	As at 31 March 2022 Audited	As at 30 Sept 2021 Unaudited
Assets				
Cash and cash equivalents		8,892	18,803	36,522
Loans to customers	*8*	141,940	124,499	103,588
Accrued interest receivable		54	155	259
Income tax receivable		79	-	27
Other receivables and accruals		256	203	287
Deferred tax assets		36	88	143
Lease Asset	*9*	417	-	-
Investment property	*10*	6,125	4,805	6,630
Held for sale investment property	*11*	1,766	1,575	-
Property, plant & equipment	*12*	500	1,857	1,739
Intangibles	*13*	213	205	202
Total Assets		**160,278**	**152,190**	**149,397**
Liabilities				
Retail funding	*14*	133,056	126,538	124,712
Accrued interest payable		935	531	441
Other payables and accruals		476	519	480
Income tax payable		-	77	-
Lease liability	*9*	417	-	-
Total liabilities		**134,884**	**127,665**	**125,633**
Equity				
Share capital		300	300	300
Retained earnings		25,094	23,373	22,620
Revaluation reserve		-	852	844
Equity		**25,394**	**24,525**	**23,764**

The notes on pages 6 to 20 are an integral part of these consolidated interim financial statements

For and on behalf of the Directors:

K P McDonald
Chair - Board of Directors

A G Beech
Chair – Audit and Risk Committee

25 November 2022

Consolidated statement of profit or loss and OCI

In New Zealand dollar thousands

	Note	6 months to 30 Sept 2022 Unaudited	Year ended 31 March 2022 Audited	6 months to 30 Sept 2021 Unaudited
Interest income				
Loans to customers		3,834	5,642	2,740
Cash and cash equivalents		71	402	231
Total interest income		**3,905**	**6,044**	**2,971**
Interest expense				
Retail funding		1,192	1,386	704
Total interest expense		**1,192**	**1,386**	**704**
Net interest income (NII)		**2,713**	**4,658**	**2,267**
Other operating income		466	900	453
Total operating income		**3,179**	**5,558**	**2,720**
Personnel expenses		758	1,394	609
Net impairment loss/ (gain) on financial assets		(41)	(94)	35
Depreciation and amortisation		89	134	67
Other operating expenses		1,063	1,804	1,024
Total operating expenses		**1,869**	**3,238**	**1,735**
Operating profit		**1,310**	**2,320**	**985**
Change in the fair value of investment property	*10*	(148)	(250)	-
Profit before tax		**1,162**	**2,070**	**985**
Income tax expense		293	595	263
Profit for the period		**869**	**1,475**	**722**
Other comprehensive income (OCI)				
Net change in revaluation reserve		-	16	8
Total comprehensive income for the period		**869**	**1,491**	**730**

The notes on pages 6 to 20 are an integral part of these consolidated interim financial statements

Consolidated statement of changes in equity

In New Zealand dollar thousands

	Note	Share capital	Retained earnings	Revaluation reserve	Total equity
Balance at 1 April 2022					
Opening equity		300	23,373	852	24,525
Profit for the period		-	869	-	869
Distributions to capital shareholders		-	-	-	-
Other comprehensive income		-	852	(852)	-
Balance at 30 September 2022 (Unaudited)		**300**	**25,094**	**-**	**25,394**
Balance at 1 October 2021					
Opening equity		300	22,620	844	23,764
Profit for the period		-	753	-	753
Distributions to capital share holders		-	-	-	-
Other comprehensive income		-	-	8	8
Balance at 31 March 2022 (Audited)		**300**	**23,373**	**852**	**24,525**
Balance at 1 April 2021					
Opening equity		300	21,898	836	23,034
Profit for the period		-	722	-	722
Distributions to capital share holders		-	-	-	-
Other comprehensive income		-	-	8	8
Balance at 30 September 2021 (Unaudited)		**300**	**22,620**	**844**	**23,764**

The notes on pages 6 to 20 are an integral part of these consolidated interim financial statement:

Consolidated statement of cash flows

In New Zealand dollar thousands

	6 months to 30 Sept 2022 Unaudited	Year ended 31 March 2022 Audited	6 months to 30 Sept 2021 Unaudited
Cash flows from operating activities			
Interest received	2,652	5,083	2,542
Interest paid	(788)	(1,640)	(1,048)
Other operating income	425	881	406
Payments to suppliers and employees	(1,861)	(3,201)	(1,669)
Net change in loans to customers	(16,047)	(15,694)	4,302
Net changes in retail and non-retail funding	6,518	(7,541)	(9,366)
Income taxes paid	(398)	(455)	(280)
Net cash (used for)/from operating activities	**(9,499)**	**(22,566)**	**(5,113)**
Cash flows from investing activities			
Acquisition of property, plant & equipment	(350)	(88)	-
Acquisition of intangibles	(57)	(208)	(49)
Acquisition of investment property	(14)	-	-
Disposal of property, plant & equipment	9	-	-
Net cash (used for)/ from investing activities	**(412)**	**(296)**	**(49)**
Cash flows from financing activities			
Dividends paid to capital shareholders	-	(20)	-
Net cash used for financing activities	-	**(20)**	-
Net (decrease)/ increase in cash and cash equivalents	**(9,911)**	**(22,882)**	**(5,162)**
Opening cash and cash equivalents	18,803	41,685	41,685
Closing cash and cash equivalents	**8,892**	**18,803**	**36,523**

The notes on pages 6 to 20 are an integral part of these consolidated interim financial statements

Notes to the consolidated interim financial statements

In New Zealand dollar thousands

1. Reporting entity

These consolidated interim financial statements comprise the interim financial statements of Wairarapa Building Society (the 'Parent') and its wholly owned subsidiaries Wairarapa Property Investments Limited and Perry Street Properties Limited (together referred to as the 'Group').

The Group's primary activities are providing financial services (including savings and investment accounts; financing residential, rural and commercial property) and investment in properties. The Group is domiciled in New Zealand and operates primarily in the Wairarapa region.

The Group is an FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013 and the consolidated interim financial statements have been prepared in accordance with the requirements of that Act, the Building Societies Act 1965, and the Financial Reporting Act 2013.

2. Basis of accounting

These consolidated interim financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Regulations 2014 and New Zealand Generally Accepted Accounting Practice ('NZ GAAP').

These interim financial statements comply with NZ IAS-34: *Interim Financial Reporting* and IAS-34: *Interim Financial Reporting* and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 March 2022.

Where applicable, comparative information has been reclassified to ensure consistency with the current period's presentation.

3. Changes in significant accounting policies

The accounting policies applied in these consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 March 2022.

4. Functional and presentation currency

These consolidated interim financial statements are presented in New Zealand dollars, which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

5. Basis of measurement

These consolidated interim financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis at each reporting date.

Items	Basis of measurement
Property, plant & equipment – land and buildings component	Fair value
Investment property	Fair value
Investment property held for sale	Fair value less costs to sell

In New Zealand dollar thousands

6. Use of judgements and estimates

In preparing these consolidated interim financial statements, directors and management have made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about judgements, estimates and assumptions that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 8 – impairment of loans to customers.
- Note 10 – fair value of investment property.
- Note 11 – fair value of investment property held for sale.
- Note 12 – fair value of land and buildings included within property, plant & equipment.

7. Operating segments

	Financial services	Investment properties	Total
6 months to 30 September 2022 (Unaudited)			
External total operating income	3,975	395	4,370
External costs	(2,649)	(413)	(3,062)
Change in the fair value of investment property	-	(148)	(148)
Segment profit before tax	**1,326**	**(165)**	**1,162**
30 September 2022 (Unaudited)			
Segment assets	151,994	8,284	160,278
Segment liabilities	(134,846)	(38)	(134,884)
Segment net assets	**17,148**	**8,246**	**25,394**
Year ended 31 March 2022 (Audited)			
External total operating income	4,827	731	5,558
External costs	(2,592)	(646)	(3,238)
Change in the fair value of investment property	-	(250)	(250)
Segment profit before tax	**2,235**	**(165)**	**2,070**
31 March 2022 (Audited)			
Segment assets	143,833	8,357	152,190
Segment liabilities	(127,557)	(108)	(127,665)
Segment net assets	**16,276**	**8,249**	**24,525**
6 months to 30 September 2021 (Unaudited)			
External total operating income	2,356	364	2,720
External costs	(1,661)	(337)	(1,998)
Segment profit before tax	**695**	**27**	**722**
30 September 2021 (Unaudited)			
Segment assets	140,914	8,483	149,397
Segment liabilities	(125,536)	(97)	(125,633)
Segment net assets	**15,378**	**8,386**	**23,764**

In New Zealand dollar thousands

8. Loans to customers

	30 Sept 2022 Unaudited	31 March 2022 Audited	30 Sept 2021 Unaudited
Stage 1 loans	141,083	124,403	102,593
Stage 2 loans	731	321	945
Stage 3 loans	667	356	780
Gross loans to customers	**142,481**	**125,080**	**104,318**
Deferred fee income	(103)	(101)	(121)
Provision for credit impairment			
- Collective impairment allowance	(403)	(370)	(395)
- Individual impairment allowance	(36)	(110)	(214)
Total loans to customers	**141,940**	**124,499**	**103,588**

A. Credit quality analysis

	30 Sept 2022 Unaudited	31 March 2022 Audited	30 Sept 2021 Unaudited
Stage 1 loans			
Performing loans	138,263	121,032	100,935
Loans 0 to 30 days past due but not individually impaired	2,820	3,371	1,658
	141,083	**124,403**	**102,593**
Stage 2 loans			
Loans 31 to 90 days past due but not individually impaired	731	321	945
Loans with renegotiated terms in the ordinary course of business	-	-	-
	731	**321**	**945**
Stage 3 loans			
Loans more than 91 days past due but not individually impaired	291	167	566
Individually impaired loans	376	189	214
	667	**356**	**780**
Total gross loans to customers	**142,481**	**125,080**	**104,318**

The assessment of credit quality relating to loans made to customers is based on the following criteria:

Loans past due

Loans where the customer has failed to make a payment when contractually due but which are not considered to be individually impaired.

Loans with renegotiated terms in the ordinary course of business

Loans where contractual terms have been restructured due to the customer having difficulties in complying with the original terms but which are not otherwise considered to be impaired.

Loans that are subject to contractual changes, including loan extensions, which arise in the ordinary course of business and are executed on normal commercial terms are considered to be fully performing loans.

Individually impaired loans

Loans are considered to be individually impaired if there is objective evidence of impairment as a result of one or more loss events that have occurred after the initial recognition of the loan and that the loss event(s) has a reliably measurable impact on the estimated future cash flows of the individual loan.

8. Loans to customers (continued)

B. Provision for credit impairment

At each reporting date the Group assesses whether financial assets, including loans to customers, carried at amortised cost are impaired.

Impairment is assessed using an Expected Credit Loss (ECL) model where ECL represents the Group's assessment of the present value of the cash flow shortfall expected to arise following a counterparty's default in relation to financial assets held by the Group. A cash flow shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the asset and the actual cash flows that the Group expects to receive.

ECL's are based on the Group's assessment of the Probability of Default (PD), exposure at default, and the Loss Given Default (LGD), discounted at the effective interest rate to give a net present value. The estimation of ECL's is unbiased taking into account all reasonable and supporting information, including forward looking economic assumptions and outcomes that the Group considers are likely to affect ECL's.

In New Zealand dollar thousands

8. Loans to customers (continued)

B. Provision for credit impairment (continued)

For the purposes of calculating ECL the Group uses a probability weighted model based on four scenarios which are collectively considered to be a reasonable approximation of forward-looking potential loss outcomes.

ECL scenario	Significant unobservable inputs	Inter-relationship between inputs and fair value
Base	▪ PD rates based on the historic performance of the Group's loan book. ▪ LGD rates based on the estimated credit losses incurred by the Group. ▪ Domestic unemployment rate at or around 4%. ▪ Real estate prices at or around current levels.	ECL's could be expected to increase/(decrease) if: • PD rates were higher/(lower). • LGD rates were higher/(lower) • Unemployment rates were higher/(lower). • Average real estate prices were lower/(higher).
Downside	Industry default rates based on downside scenario of: ▪ Domestic unemployment rate at or around 7%. ▪ A decline of up to 10% in average real estate prices from current levels.	
Market Stress	Industry default rates based on stress scenario of: ▪ Domestic unemployment rate at or around 10%. ▪ A decline of up to 32% in average real estate prices from current levels.	
Severe Stress	Industry default rates based on severe scenario of: ▪ Domestic unemployment rate at or around 13%. ▪ A decline of up to 33% in average real estate prices from current levels.	

Weightings applied to each scenario are summarised below.

	30 Sept 2022 Unaudited	31 March 2022 Audited	30 Sept 2021 Unaudited
Base scenario	5%	5%	15%
Downside scenario	60%	50%	55%
Market Stress scenario	25%	30%	20%
Severe Stress scenario	10%	15%	10%
	100%	**100%**	**100%**

In New Zealand dollar thousands

8. Loans to customers (continued)

B. Provision for credit impairment (continued)

The scenario weightings reflect the Group's assessment of an increased risk due to economic conditions arising from the current economic environment of cost of living stress and rapidly rising interest rates. The nature of the ECL model under NZ IFRS-9 is such that if expectations of economic conditions worsen or observed rates of credit default increase then the amount of ECL and associated provision for credit impairment would be expected to increase due to factors outside the direct control or influence of the Group.

The following table summarises the sensitivity of the Group's current year provision for credit impairment to the choice of scenario weighting applied as at balance date.

	30 Sept 2022 Unaudited	31 March 2022 Audited	30 Sept 2021 Unaudited
Provision for credit impairment as reported	**439**	**480**	**609**
Provision for credit impairment assuming:			
100% weighting for Base scenario	41	127	274
100% weighting for Downside scenario	263	290	476
100% weighting for Market Stress scenario	587	456	742
100% weighting for Market Severe scenario	1,318	975	1,008

The following table provides further information about the credit quality of the Group's loans to customers based on the extent to which the Group has recourse to security in the event of default.

	30 Sept 2022 Unaudited	31 March 2022 Audited	30 Sept 2021 Unaudited
Loans secured by mortgage	141,670	123,940	102,970
Loans secured by other collateral	525	578	759
Unsecured loans	287	561	589
Total gross loans to customers	**142,481**	**125,080**	**104,318**

C. The impacts of economic events on provision for credit impairment

While global economic events are ongoing as at the reporting date there is a considerable degree of uncertainty about the potential future impacts on the Group's financial assets. To the extent that these impacts are known, or can be reliably estimated, they are reflected in the ECL model. However, where these impacts are not yet identifiable, the Group has specifically considered the potential borrower impacts and sought to reflect this by way of varying scenario weightings to the ECL model in order to try and reflect the inherent uncertainty over future outcomes.

Over time the expectation is that actual ECL outcomes will be better than the currently modelled ECL outcomes, however this will depend on a number of variables and events which are currently outside the direct control or influence of the Group.

In New Zealand dollar thousands

8. Loans to customers (continued)

D. Provision for credit impairment – collective impairment allowance

Loans that are not considered to be individually credit impaired are assessed for credit impairment on a collective basis with a collective impairment allowance recognised against these loans.

	30 Sept 2021 Unaudited	31 March 2022 Audited	30 Sept 2021 Unaudited
Opening collective impairment allowance	(370)	(389)	(389)
Decrease/(increase) in allowance during the period			
- Due to changes in ECL scenario weightings	(33)	19	-
- Other	-	-	(6)
Closing collective impairment allowance	**(403)**	**(370)**	**(395)**

E. Provision for credit impairment – individual impairment allowance

On a regular basis and at each reporting date the Group assesses whether there is objective evidence that individual loans made to customers are considered to be impaired. Where appropriate a specific allowance is raised against individually impaired loans.

	Gross credit impaired loans	Individual impairment allowance	Carrying value of credit impaired loans
6 months to 30 September 2022 (Unaudited)			
Opening balance	189	(110)	79
Individually credit impaired loans repaid	(172)	93	(79)
Bad debts written off	-	-	-
Net movement in individually credit impaired loans	359	(19)	340
Closing individual impairment allowance	**376**	**(36)**	**340**
Year ended 31 March 2022 (Audited)			
Opening balance	186	(186)	-
Individually credit impaired loans repaid	(35)	35	-
Bad debts written off	-	-	-
Net movement in individually credit impaired loans	38	41	79
Closing individual impairment allowance	**189**	**(110)**	**79**
6 months to 30 September 2021 (Unaudited)			
Opening balance	186	(186)	-
Individually credit impaired loans repaid	-	-	-
Bad debts written off	-	-	-
Net movement in individually credit impaired loans	28	(28)	-
Closing individual impairment allowance	**214**	**(214)**	**-**

In New Zealand dollar thousands

8. Loans to customers (continued)

F. Undrawn loan commitments

	30 Sept 2022 Unaudited	31 March 2022 Audited	30 Sept 2021 Unaudited
Loan facilities not fully drawn	24,197	18,692	19,946
Undrawn loan approvals	19,728	18,455	24,981
Total undrawn loan commitments	**43,925**	**37,147**	**44,927**

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

9. Leases – Lessee

On 1 June 2023 a lease was entered into for office premises at 125 Queen Street, Masterton. The Group recognises a right of use asset and a lease liability at the lease commencement date.

The right of use asset is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. In addition, the right of use asset is periodically adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability include optional renewal periods.

In New Zealand dollar thousands

10. Investment property

Investment property comprises commercial land and buildings leased to third parties which are held to earn rental income and/or for capital appreciation. Investment property is measured initially at cost and subsequently at fair value with any change in the fair value recognised in profit or loss.

A. Investment property

	Commercial Masterton
6 months to 30 September 2022 (Unaudited)	
Opening fair value of investment property	4,805
Property reclassified	
- From held for sale	1,575
- To held for sale	(600)
Additions (subsequent expenditure)	5
Change in fair value	340
Closing fair value of investment property	**6,125**
Rating valuation	6,390
Date of last rating valuation	Sep-20
Year ended 31 March 2022 (Audited)	
Opening fair value of investment property	6,630
Property reclassified	
- To held for sale	(1,575)
Additions (subsequent expenditure)	-
Change in fair value taken to profit or loss	(250)
Closing fair value of investment property	**4,805**
6 months to 30 September 2021 (Unaudited)	
Opening fair value of investment property	6,630
Additions (subsequent expenditure)	-
Closing fair value of investment property	**6,630**

Fair values are reviewed annually (as at 31 March) with reference to the then market value as assessed by external valuers, having the appropriate recognised professional qualifications and experience in the location and category of the property being valued. The most recent independent assessment of one property was conducted in September 2022 by TelferYoung who are registered and ANZIV certified valuers (Mar 2022: TelferYoung).

In carrying out their valuations, the valuers have assumed all buildings have a seismic strength above 67% of the standard for new buildings as per the current regulations as set out in the 2017 Engineering Assessment Guidelines (the Red Book).

A proposed technical revision to the Red Book (referred to as the Yellow Chapter) was released in 2018. The Yellow Chapter is still being tested to see if it should be adopted and incorporated into regulation. An initial assessment undertaken by the Group suggests that application of the Yellow Chapter may result in a different seismic strength assessment outcome for one of the Group's properties when compared to the current Red Book regulatory NBS% assessment.

As a result, and on a voluntary basis, the Group is undertaking further investigation and remediation design work to assess and better understand the extent of the nature and cost of remediation that will be required to achieve a seismic strength above 67% NBS under the proposed Yellow Chapter guidelines. As at reporting date this investigation is ongoing and there is insufficient information available to reliably estimate the impact on the fair value of the affected property as significant unobservable inputs to the fair value measurement remain uncertain.

In New Zealand dollar thousands

10. Investment property (continued)

B. Measurement of fair values

The fair value measurement for all investment property has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used. The following table shows the valuation techniques used in measuring the fair value of investment property as well as details of the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between inputs and fair value
Direct capitalisation approach – involves capitalising actual income and/or potential market income at an appropriate rate of return	▪ Existing rental rates used with no assumption of material uplift in potential market rental rates and/or rental growth. ▪ Market capitalisation rates of 8.0% used for existing tenancies. ▪ Occupancy rate of 100% assumed to reduce in the coming year. ▪ Market capitalisation rates of 6.25% used for future untenanted spaces.	The estimated fair values would increase/(decrease) if: ▪ Future market rental growth rates were higher/(lower). ▪ Market capitalisation rates were lower/(higher).
Net rate approach – ascribes land value at saleable worth and adds value for building and improvements based on sale comparisons	▪ Potential sales prices of between $200 and $300 per sqm have been assumed based on comparable sales analysis. ▪ Market data comparatives based on commercial zoned land sales over the 2019-2022 period.	The estimated fair values would increase/(decrease) if: ▪ Future sales prices were higher/(lower).

Adjustment of the market capitalisation rate for the affected property is one method that could be used to assess potential fair value impacts associated with the seismic strength uncertainty. The following table summarises the sensitivity of the fair value of the affected investment property based on a 1% movement in market capitalisation rates.

	Carrying value	-1% impact on profit and equity	+1% impact on profit and equity
30 September 2022			
Investment property	4,105	782	(598)
Tax effected (at 28%)		(218)	167
Net impact on profit/(loss) for the period and equity for the period		**564**	**(431)**

In New Zealand dollar thousands

11. Property held for sale

	Commercial Masterton
6 months to 30 September 2022 (Unaudited)	
Opening fair value of investment property held for sale	1,575
Property reclassified	
- From Property, Plant, and Equipment	1,645
- From Investment Property	600
- To Investment Property	(1,575)
Additions (subsequent expenditure)	9
Change in fair value	(488)
Closing fair value of investment property	**1,766**
Rating valuation	3,630
Date of last rating valuation	Sep-20
Year ended 31 March 2022 (Audited)	
Opening fair value of investment property held for sale	-
Property reclassified as held for sale	
- From Investment Properties	1,575
Closing fair value of investment property held for sale	**1,575**
6 months to 30 September 2021 (Unaudited)	
Opening fair value of investment property held for sale	-
Additions (subsequent expenditure)	-
Closing fair value of investment property	-

Fair values are reviewed annually (as at 31 March) with reference to the then market value as assessed by external valuers, having the appropriate recognised professional qualifications and experience in the location and category of the property being valued. The most recent independent assessment of one property was conducted in September 2022 by TelferYoung who are registered and ANZIV certified valuers (Mar 2022: TelferYoung).

In carrying out their valuations, the valuers have assumed all buildings have a seismic strength above 67% of the standard for new buildings as per the current regulations as set out in the 2017 Engineering Assessment Guidelines (the Red Book).

A proposed technical revision to the Red Book (referred to as the Yellow Chapter) was released in 2018. The Yellow Chapter is still being tested to see if it should be adopted and incorporated into regulation. An initial assessment undertaken by the Group suggests that application of the Yellow Chapter may result in a different seismic strength assessment outcome for one of the Group's properties when compared to the current Red Book regulatory NBS% assessment.

In New Zealand dollar thousands

12. Property, plant & equipment

	Land & buildings	Other	Total
6 months to 30 September 2022 (Unaudited)			
Opening net book value	1,645	212	**1,857**
Additions (subsequent expenditure)	-	349	**349**
Disposals	-	(21)	**(21)**
Depreciation	-	(40)	**(40)**
Moved to held for sale	(1,645)	-	**(1,645)**
Closing net book value	**-**	**500**	**500**
Year ended 31 March 2022 (Audited)			
Opening net book value	1,645	112	**1,757**
Additions (subsequent expenditure)	-	149	**149**
Disposals	-	(7)	**(7)**
Depreciation	-	(42)	**(42)**
Change in fair value taken to OCI	-	-	**-**
Closing net book value	**1,645**	**212**	**1,857**
6 months to 30 September 2021 (Unaudited)			
Opening net book value	1,645	112	**1,757**
Additions (subsequent expenditure)	-	-	**-**
Disposals	(8)	(5)	**(13)**
Depreciation	8	(13)	**(5)**
Change in fair value taken to OCI	-	-	**-**
Closing net book value	**1,645**	**94**	**1,739**

In New Zealand dollar thousands

13. Intangibles

	Software
6 months to 30 September 2022 (Unaudited)	
Opening net book value	205
Additions (subsequent expenditure)	57
Disposals	-
Amortisation	(49)
Closing net book value	**213**
Year ended 31 March 2022 (Audited)	
Opening net book value	199
Additions (subsequent expenditure)	100
Disposals	(2)
Amortisation	(92)
Closing net book value	**205**
6 months to 30 September 2021 (Unaudited)	
Opening net book value	199
Additions (subsequent expenditure)	50
Disposals	(1)
Amortisation	(46)
Closing net book value	**202**

14. Retail funding

	30 Sept 2022 Unaudited	31 March 2022 Audited	30 Sept 2021 Unaudited
Call deposits	6,692	5,771	6,699
Term deposits	3,741	3,868	6,173
Deposits	**10,433**	**9,639**	**12,872**
Call redeemable shares	21,761	20,788	17,207
Term redeemable shares	100,861	96,111	94,634
Redeemable shares	**122,622**	**116,899**	**111,841**
Total retail funding	**133,056**	**126,538**	**124,712**

All deposits and redeemable shares issued by the Group are unsecured debt securities. Deposits rank ahead of redeemable shares which in turn rank ahead of the Group's capital shares.

In New Zealand dollar thousands

15. Non-retail funding

	30 Sept 2022 Unaudited	31 March 2022 Audited	30 Sept 2021 Unaudited
Committed bank funding facilities	24,000	24,000	24,000
Undrawn bank funding facilities	(24,000)	(24,000)	(24,000)
Total drawn non-retail funding	-	-	-

The Group has committed funding facilities in place with Westpac New Zealand Limited and the Bank of New Zealand Limited. These facilities have maturities within 6 months as at the reporting date and are renewed annually. The Group has complied with all applicable financial covenants associated with these facilities.

Bank funding facilities are unsecured, but any funds drawn down under these facilities rank equally in priority with the Group's other deposits.

16. Capital management

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain development of the Group's business. The capital base includes capital shares, reserves and retained earnings.

The Group is subject to externally imposed minimum capital requirements via its Trust Deed and the regulatory requirements of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010. As at reporting date the Group complied with the minimum capital ratio requirements.

The allocation of capital between business segments and in undertaking the Group's operations and activities is focused on ensuring a balance is maintained between preserving the adequacy of the Group's capital and optimising the return on capital employed.

17. Fair values of financial assets and liabilities

Financial assets and liabilities are not carried at fair value.

The following table is a comparison of the carrying amounts as reported and the fair value of financial assets and liabilities other than those financial assets and liabilities where the carrying amount is a reasonable approximation of fair value.

	30 September 2022 Unaudited		31 March 2022 Audited		30 September 2021 Unaudited	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Loans to customers	142,482	141,739	125,080	124,891	104,318	104,329
Financial liabilities						
Retail funding	133,056	132,269	126,538	126,177	124,712	124,571

18. Capital commitments and contingencies

The Group has no outstanding capital commitments as at the reporting date. (31 March 2022: $Nil. 30 September 2021: Nil)

There are no material contingent assets or liabilities as at the reporting date (31 March 2022: $Nil. 30 September 2021: $Nil).

19. Subsequent events

There have been no events subsequent to the reporting date, and up to the date of these consolidated interim financial statements that would have a material impact on the operations or consolidated interim financial statements of the Group.